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C O N F I D E N T I A L SECTION 01 OF 03 LUSAKA 000490

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SUBJECT: COMESA LEADERS DISCUSS U.S.-COMESA TRADE AND  
EXPLORE AREAS FOR ENGAGEMENT

REF: LUSAKA 426

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Classified By: Ambassador Booth for Reasons 1.4(b) and (d).

11. (C) Summary. Ambassador Booth met with Common Market for Eastern and Southern Africa (COMESA) Secretary General Sindiso Ngwenya on July 6 to discuss the U.S.-COMESA Trade and Investment Framework Agreement Council meeting (scheduled for September 17-18 in Lusaka) and to explore the possibility of expanding U.S.-COMESA cooperation. Ngwenya shared views on the COMESA customs union, and the African Growth and Opportunity Act (AGOA), as well as opportunities and constraints to regional economic growth. He also shared some views on the recently concluded African Union summit (reported septel). The Secretary General responded enthusiastically to a proposal to cooperate with Embassy Lusaka on biotechnology outreach to promote understanding of the benefits of agricultural biotechnology in Zambia. Ngwenya also expressed an openness to working with the USG on other initiatives like malaria, climate change, intellectual property rights, food security, and election monitoring. Expanding U.S. engagement with COMESA not only could help advance U.S. priorities such as regional stability, poverty alleviation, and disease eradication, but could help COMESA countries counter-balance South Africa's economic and political dominance in the region. End Summary.

U.S.-COMESA Trade

12. (SBU) Ngwenya confirmed that the COMESA Secretariat will host the next U.S.-COMESA Trade and Investment Framework Agreement (TIFA) Council meeting in Lusaka on September 17-18. In addition to following up on items discussed during the 2008 TIFA Council meeting in Washington, Ngwenya expressed an interest in discussing in more detail ways to increase trade flows. He speculated that the COMESA region's total exports to the United States, "roughly equivalent to those of Bangladesh," are decreasing. The Ambassador countered this statement with trade statistics that show increasing levels of COMESA exports (including non-oil exports) to the United States. Ngwenya lamented that the COMESA is not adequately taking advantage of the African Growth and Opportunity Act (AGOA) and the Generalized Systems of Preferences (GSP), noting that the COMESA region only exports about 400 products to the United States out of the 4,000 products that are eligible for duty free access.

13. (SBU) Ngwenya also regretted the lengthy sanitary and phytosanitary approval process for agricultural products (noting that it took six to seven years for baby corn from Zambia to receive approval) as well as weaknesses in local value chains. Ngwenya estimated that only 20 percent of production in Eastern and Southern Africa undergoes any type of value addition within the region and expressed some hope that Delta Airlines' newly established direct flights to Nairobi will have a positive impact on bilateral trade and investment. The Ambassador suggested that intra-COMESA trade, which accounts for less than five percent of total COMESA trade, is essential to building value chains and improving local competitiveness.

14. (SBU) Ngwenya conveyed the Secretariat's interest in extending privileges under AGOA, although he acknowledged that preferential treatment itself does not result in competitiveness or innovation. Ambassador expressed agreement on the latter point and suggested that this was why AGOA originally was intended to be a short-term solution. Ngwenya pointed to accelerated policy reforms, improved business environment, and increased investment as the keys to African economic growth. He also cited a recent Boston Consulting Group study that identified Africa as a prime opportunity for investment in value addition. The Ambassador recommended that COMESA might have a useful role to play in regional strategic planning, such as helping member states objectively identify and prioritize which investments would bear the largest returns to the region as a whole. Ngwenya said that such an effort was underway and would also include opportunities for public-private partnerships.

15. (SBU) The Ambassador suggested that the TIFA Council meeting include a discussion of intellectual property rights (IPR). Ngwenya responded enthusiastically to this

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suggestion, particularly if the Council addresses counterfeiting, which he deems a looming problem, as well as the issues of genetic material, traditional knowledge, and geographical indicators. The Ambassador agreed in principal, although he pointed out that the U.S. IPR regime seeks to protect innovative processes and discoveries rather than unaltered genetic content. As a separate issue, Ngwenya noted that the Secretariat intends to sign a Memorandum of Understanding with Texas A & M University to help shape its increased involvement in IPR issues.

#### Constraints to Regional Integration and Growth

16. (SBU) On the ongoing Economic Partnership Agreement (EPA) negotiations with the European Union, Ngwenya agreed with the Ambassador's assessment that the EPAs are in conflict with the regional economic community's economic integration agenda. He said the Secretariat is no longer pressing for a single EPA between the EU and COMESA, as individual Member States are each pursuing their own bilateral agreements. To avoid undermining COMESA's plans to implement a customs union, Ngwenya advised that the bilateral EPAs will have to establish market access conditions that are consistent with the COMESA common external tariff. In response to the Ambassador's inquiry as to whether the reciprocal trade concession approach of the EPAs might undermine support in the United States for extending enhanced unilateral trade benefits under AGOA, Ngwenya said that COMESA's objective is eventually to turn the TIFA into a more substantive agreement that provides a framework for trade in goods and services (and that involves some concessions to the United States, just as the EPAs will provide to the European Union).

17. (SBU) With regard to the COMESA Summit, Ngwenya clarified that although COMESA theoretically launched a customs union at the Victoria Falls summit, technically it had only launched the common external tariff (CET). He expressed concern about the lack of trust between COMESA Member States, particularly with regard to revenue collection and

distribution and hoped that the COMESA Secretariat's revenue sharing formula (which is under preparation) will help instill some confidence. In order for residents within the COMESA region to appreciate the benefits of economic integration and to unlock the potential of a customs union, Ngwenya noted the need to disseminate accurate, relevant information to targeted audiences, most of whom he said have a vague, if any, understanding of the steps of -- let alone the benefits of -- economic integration.

¶8. (SBU) Ngwenya refuted popular claims that Malawi's 2009 maize surplus demonstrates improved Government of Malawi policies or increased local agricultural productivity. Yields in Malawi and elsewhere in the COMESA region, he said, continue to be far below global averages. Ngwenya suggested that the region could benefit from a cost-benefit study of national agricultural spending within the region to evaluate the effectiveness of national policies (which he described as "supply driven"). The Secretariat's agricultural lead, Cris Muyunda, noted the need for a proper vehicle to direct potential investment capital (of which he implied there was an abundance) to commercial farmers in order to lower the cost of capital. The Ambassador reflected that there had been little interest (from bankers and borrowers alike) in USG programs to increase lending in Zambia's agriculture sector. He suggested that small investment programs, such as those of the U.S. African Development Foundation, provide a good model for supporting private-sector led agricultural growth. He noted there is a new U.S. focus on food security issues.

#### Opportunities for U.S. Engagement

¶9. (SBU) In a slight departure from COMESA's previous position on Millennium Challenge Corporation compacts (COMESA had been pressing for a regional MCC compact), Ngwenya recommended that compact countries design infrastructure-related cross-border projects. The Ambassador noted that this is what the U.S. delegation at the North-South Corridor conference had suggested. He then indicated that the USG is interested in taking a more holistic approach to its engagement with COMESA (expanding beyond trade capacity building and agricultural growth) to

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find ways that COMESA could be a vehicle for providing regional coordination concerning USG programs that are normally administered on a national level, such as malaria eradication.

¶10. (SBU) The Ambassador asked whether COMESA might play an increased role in election monitoring and also inquired into the possibility of cooperating on energy issues, citing as an example U.S. Department of Energy technical assistance to the West African Power Pool. Ngwenya was open to these suggestions, noting that the East African Power Pool falls under COMESA's purview. He also recommended cooperation on eliminating tsetse flies, which cause sleeping sickness that is debilitating to people and livestock. COMESA Deputy Secretary General Stephen Karangizi noted that the Secretariat is currently designing its strategic plan for 2011-2015 and would share it as soon as it is ready so that the USG and other partners could evaluate how best to align their development assistance with COMESA priorities.

¶11. (SBU) Muyunda confirmed that the Secretariat's newly identified biotechnology advisor (a position paid for by USAID/East Africa) will begin employment by the end of August. The Secretariat officials agreed to host a speaker program (paid for with EEB funding) to engage in high-level roundtables with the Zambian Government and other Zambian audiences. Ngwenya regretted that in many COMESA countries, particularly Zambia, non-scientists have shaped the debate on genetically modified organisms. He expressed confidence that COMESA's (and Embassy Lusaka's) nuanced approach is appropriate, given ongoing wariness on what continues to be a

highly emotive and misunderstood topic. He suggested that during the September event the Secretariat could bring in its panel of biotechnology advisors to participate in the outreach, which he recommended should be targeted to the President, cabinet members, parliamentarians, and journalists.

#### Comment

¶12. (SBU) During this three-hour meeting, Ngwenya and his colleagues showed themselves to be receptive, thoughtful, and earnest partners, seemingly dedicated to the principals of market-led growth and regional economic integration. Although U.S. engagement has centered primarily on agricultural production and trade facilitation, there are numerous other ways that the USG could leverage its good will with (and the competency of) Africa's largest regional economic community. The effectiveness of USG national-level programs in COMESA countries could be enhanced by supplemental policy coordination at the COMESA Secretariat. Initially, the Secretariat's under-staffing may be a constraint to expanding these activities, but with some donor funding, COMESA can employ experts (such as the biotechnology advisor) to help coordinate and implement regional policies.

¶13. (C) The COMESA Secretariat's greatest value addition may be its access to (and credibility with) senior cabinet-level decision-makers in its 19 member states. To extract the most out of its partnership with COMESA, however, the USG may need to resolve, or at least allay, its concerns that Zimbabwe's membership in COMESA is a limiting factor (the Secretariat has been sensitive to this and whenever necessary has adjusted programs to comply with USG legal requirements). Secondly, the USG needs a regional, inter-agency strategy (including a Mission Strategic Plan for COMESA) that ties into COMESA's five-year objectives, establishes USG regional priorities, and feeds into bilateral activities within Eastern and Southern Africa. Doing so will also help establish a counter-point to South African commercial and political dominance (South Africa is not a COMESA member) by embracing COMESA members collectively as well as individually and contributing to increased economic parity within the region.

BOOTH